

By: Perry, et al.

S.B. No. 7

A BILL TO BE ENTITLED

1 AN ACT
2 relating to the oversight and financing of certain water
3 infrastructure matters under the jurisdiction of the Texas Water
4 Development Board.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 ARTICLE 1. WATER INFRASTRUCTURE DEVELOPMENT

7 SECTION 1.1. Chapter 6, Water Code, is amended by adding
8 Subchapter H to read as follows:

9 SUBCHAPTER H. OFFICE OF WATER SUPPLY CONVEYANCE COORDINATION

10 Sec. 6.300. DEFINITIONS. In this subchapter:

11 (1) "Fund" means the New Water Supply for Texas Fund
12 established by Chapter 15, Subchapter C-1.

13 (2) "Office" means the Office of Water Supply
14 Conveyance Coordination.

15 (3) "Project" means a water supply development,
16 treatment, or conveyance project eligible to receive financial
17 assistance from the board.

18 Sec. 6.301. PURPOSE OF OFFICE. (a) The office is created
19 within the board for the purposes of:

20 (1) facilitating joint planning and coordination by
21 and between project sponsors, the Texas Department of
22 Transportation, river authorities, retail public utilities,
23 electric utilities, counties, municipalities, special purpose
24 districts, common carriers, and other entities, as applicable, to

1 reduce the necessity of any exercise of the power of eminent domain
2 to obtain interests in real property for the development of
3 infrastructure to transport water that is made available by a
4 project by using preexisting transportation and utility easements;

5 (2) facilitating the development of guidance and best
6 practices for the standardization of the specifications,
7 materials, and components used to design and construct
8 infrastructure to transport water;

9 (3) facilitating the development of standards and
10 guidance to ensure potential interconnectivity and
11 interoperability between different systems developed to transport
12 water from different projects;

13 (4) facilitating the development of mechanical and
14 technical standards for the integration of water that is made
15 available by a project into a water supply system or into
16 infrastructure to transport water that is made available by a
17 project, as applicable; and

18 (5) taking other action recommended or requested by
19 the board to facilitate potential interconnectivity and
20 interoperability between different infrastructure implemented to
21 transport water from different projects.

22 (b) When developing guidance and best practices under
23 Subsection (a)(2), the office shall, where practicable, plan for
24 the incorporation of excess capacity into infrastructure to
25 transport water that is made available by a project to facilitate
26 the potential transportation of additional water supplies from new
27 sources to meet new water demands after the initial construction of

1 the infrastructure.

2 Sec. 6.302. USE OF PROFESSIONAL AND CONSULTING SERVICES
3 AUTHORIZED. (a) Subject to the approval of the board, the office
4 may procure professional and consulting services to achieve a
5 purpose described by Section 6.301.

6 (b) Chapter 2254, Government Code, applies to the
7 procurement of professional and consulting services by the office.

8 Sec. 6.303. FORMATION OF AD HOC COMMITTEES AUTHORIZED. The
9 office, with the approval of the board, may convene one or more ad
10 hoc committees comprised of representatives of current or potential
11 project sponsors, the Texas Department of Transportation, river
12 authorities, retail public utilities, electric utilities,
13 counties, municipalities, special purpose districts, common
14 carriers, and other entities deemed appropriate by the office to
15 advise and assist the office in fulfilling any purpose described by
16 Section 6.301, including in drafting any guidance or best practices
17 described by Section 6.301.

18 Sec. 6.304. PAYMENT OF EXPENSES FROM WATER FUND. Pursuant
19 to Section 15.504(f), the board shall pay from the Water Fund:

20 (1) the necessary and reasonable administrative
21 expenses of the office, including staffing expenses; and

22 (2) the necessary and reasonable expenses for the
23 procurement of professional and consulting services under Section
24 6.302.

25 SECTION 1.2. Section 15.153, Water Code, is amended by
26 amending Subsection (b) and adding Subsections (e) and (f) to read
27 as follows:

1 (b) The fund may be used to:

2 (1) provide financial assistance to political
3 subdivisions to develop water supply projects that create new water
4 sources for the state, including:

5 (A) desalination projects, including marine and
6 brackish water desalination;

7 (B) produced water treatment projects, other
8 than projects that are only for purposes of oil and gas exploration;

9 (C) aquifer storage and recovery projects; ~~and~~

10 (D) reservoir projects for which:

11 (i) a permit for the discharge of dredged or
12 fill material has been issued by the United States secretary of the
13 army under Section 404, Federal Water Pollution Control Act (33
14 U.S.C. Section 1344); and

15 (ii) a permit for the storage, taking, or
16 diversion of state water has been issued by the commission under
17 Section 11.121;

18 (E) the development of infrastructure to
19 transport or integrate into a water supply system water that is made
20 available by a project described by this subdivision;

21 (2) make transfers from the fund:

22 (A) to the state water implementation fund for
23 Texas established under Subchapter G or the Texas Water Development
24 Fund II established under Subchapter L, Chapter 17; and

25 (B) for a purpose described by Subdivision (1);
26 ~~and~~

27 (3) make transfers from the fund to the water bank

1 account established under Section [15.707](#); and

2 (4) make transfers from the fund:

3 (A) to the Texas Water Development Fund II state
4 participation account established under Section [17.957](#); and

5 (B) for a purpose described by Subdivision (1).

6 (e) Infrastructure developed to transport water under
7 Subsection (b)(1)(E) may not be used to transport groundwater
8 produced from a well within this state that, at the time of
9 production, had a total dissolved solids concentration of less than
10 3,000 milligrams per liter.

11 (f) Money from the fund may be used to acquire another
12 person's right acquired or authorized in accordance with state law
13 to impound, divert, or use state water only by a lease of that right
14 from its owner.

15 SECTION 1.3. Section [15.504](#)(f), Water Code, is amended to
16 read as follows:

17 (f) The board may use not more than two percent of the fund
18 to pay for:

19 (1) the necessary and reasonable expenses of the board
20 in administering the fund; and

21 (2) the expenses described by Section [6.304](#) [~~not to~~
22 exceed two percent].

23 SECTION 1.4. Section [15.502](#)(b), Water Code, is amended to
24 read as follows:

25 (b) The board may use the fund only to transfer money to:

26 (1) the water assistance fund established under
27 Subchapter B;

1 (2) the new water supply for Texas fund established
2 under Subchapter C-1;

3 (3) the state water implementation fund for Texas
4 established under Subchapter G;

5 (4) the state water implementation revenue fund for
6 Texas established under Subchapter H;

7 (4-a) the flood infrastructure fund established under
8 Subchapter I;

9 (5) a revolving fund established under Subchapter J;

10 (6) the rural water assistance fund established under
11 Subchapter R;

12 (7) the statewide water public awareness account
13 established under Section 16.027;

14 (8) the Texas Water Development Fund II water
15 financial assistance account established under Section 17.959; and

16 (9) the Texas Water Development Fund II state
17 participation account established under Section 17.957.

18 SECTION 1.5. Section 15.502(e), Water Code, is amended to
19 read as follows:

20 (e) The fund consists of:

21 (1) money transferred or deposited to the credit of
22 the fund by law, including:

23 (A) money transferred or deposited to the fund as
24 provided by Section 49-d-16, Article III, Texas Constitution;

25 (B) money appropriated by the legislature
26 directly to the fund; and

27 (C) money from any source transferred or

1 deposited to the credit of the fund as authorized by law;

2 (2) any other revenue that the legislature by statute
3 dedicates for deposit to the credit of the fund;

4 (3) investment earnings and interest earned on amounts
5 credited to the fund;

6 (4) money from gifts, grants, or donations to the
7 fund; and

8 (5) money returned from any authorized transfer.

9 SECTION 1.6. Section 15.504(c), Water Code, is amended to
10 read as follows:

11 (c) The board shall ensure that a portion of the money
12 transferred from the fund is used for:

13 (1) water and wastewater infrastructure projects,
14 prioritized by risk or need, for:

15 (A) rural political subdivisions; and

16 (B) municipalities with a population of less than
17 150,000;

18 (2) projects for which all required state or federal
19 permitting has been substantially completed, as determined by the
20 board;

21 (3) the statewide water public awareness program
22 established under Section 16.026;

23 (4) water conservation strategies; and

24 (5) water loss mitigation projects.

25 SECTION 1.7. Section 15.703(a), Water Code, is amended to
26 read as follows:

27 (a) The board may take all actions necessary to operate the

1 water bank and to facilitate the transfer of water rights from the
2 water bank for future beneficial use, including but not limited to:

3 (1) negotiating a sale price and terms acceptable to
4 the depositor and purchaser;

5 (2) maintaining a registry of water bank deposits and
6 those water users in need of additional supplies;

7 (3) informing water users in need of additional supply
8 of water rights available in the bank;

9 (4) encouraging water right holders to implement water
10 conservation practices and deposit the right to use the conserved
11 water into the bank;

12 (5) establishing requirements for deposit of a water
13 right into the water bank, including minimum terms for deposit;

14 (6) purchasing, holding, and transferring water or
15 water rights in its own name, including purchasing, holding, and
16 transferring water or water rights originating outside this state
17 for the purpose of providing water for the use or benefit of this
18 state;

19 (7) establishing regional water banks;

20 (8) acting as a clearinghouse for water marketing
21 information including water availability, pricing of water
22 transactions, environmental considerations, and potential buyers
23 and sellers of water rights;

24 (9) preparing and publishing a manual on structuring
25 water transactions;

26 (10) accepting and holding donations of water rights
27 to meet instream, water quality, fish and wildlife habitat, or bay

1 and estuary inflow needs;

2 (11) entering into contracts with persons to pay for
3 feasibility studies or the preparation of plans and specifications
4 relating to water conservation efforts or to estimate the amount of
5 water that would be saved through conservation efforts; and

6 (12) other actions to facilitate water transactions.

7 SECTION 1.8. Section 16.131(a), Water Code, is amended to
8 read as follows:

9 (a) The board may use the state participation account of the
10 development fund to encourage optimum regional and interregional
11 development of projects, including the design, acquisition, lease,
12 construction, reconstruction, development, or enlargement in whole
13 or part of:

14 (1) reservoirs and storm water retention basins for
15 water supply, flood protection, and groundwater recharge;

16 (2) facilities for the transmission and treatment of
17 water;

18 (3) treatment works as defined by Section 17.001;
19 ~~and~~

20 (4) interregional water supply projects selected
21 under Section 16.145; and

22 (5) projects described by Section 15.153(b)(1).

23 SECTION 1.9. The following provisions of the Water Code are
24 repealed:

25 (1) Section 16.131(c); and

26 (2) Section 16.146(h).

27 ARTICLE 2. LEGISLATIVE OVERSIGHT

1 SECTION 2.1. Section 15.431(a)(1), Water Code, is amended
2 to read as follows:

3 (1) "Advisory committee" means the [~~State Water~~
4 ~~Implementation Fund for~~] Texas Water Fund Advisory Committee.

5 SECTION 2.2. Section 15.438, Water Code, is transferred to
6 Subchapter A, Chapter 15, Water Code, redesignated as Section
7 15.009, Water Code, and amended to read as follows:

8 Sec. 15.009 [~~15.438~~]. TEXAS WATER FUND ADVISORY
9 COMMITTEE. (a) The [~~State Water Implementation Fund for~~] Texas
10 Water Fund Advisory Committee is composed of the following eight
11 [~~seven~~] members:

12 (1) the comptroller, or a person designated by the
13 comptroller;

14 (2) three members of the senate appointed by the
15 lieutenant governor, including:

16 (A) a member of the committee of the senate
17 having primary jurisdiction over matters relating to finance; and

18 (B) the chair of the committee of the senate
19 having primary jurisdiction over water resources; and

20 (3) three members of the house of representatives
21 appointed by the speaker of the house of representatives,
22 including:

23 (A) a member of the committee of the house of
24 representatives having primary jurisdiction over appropriations;
25 and

26 (B) the chair of the committee of the house of
27 representatives having primary jurisdiction over water resources;

1 and

2 (4) the director of the Texas Division of Emergency
3 Management or the successor in function to that entity, or a person
4 designated by that person, who serves as a nonvoting member.

5 (b) The board [~~following persons~~] shall designate agency
6 personnel to serve as staff support for the advisory committee[+]

7 [~~(1) the deputy executive administrator of the board~~
8 ~~who is responsible for water science and conservation or a person~~
9 ~~who holds an equivalent position at the agency, or a person~~
10 ~~designated by that person;~~

11 [~~(2) the deputy executive administrator of the board~~
12 ~~who is responsible for water resources planning and information or~~
13 ~~a person who holds an equivalent position at the agency, or a person~~
14 ~~designated by that person; and]~~

15 (3) the chief financial officer of the board, or a
16 person who holds an equivalent position at the agency].

17 (c) An appointed or designated member of the advisory
18 committee serves at the will of the person who appointed or
19 designated the member.

20 (d) The lieutenant governor shall appoint a co-presiding
21 officer of the advisory committee from among the members appointed
22 by the lieutenant governor, and the speaker of the house of
23 representatives shall appoint a co-presiding officer of the
24 committee from among the members appointed by the speaker.

25 (e) The advisory committee may hold public hearings, formal
26 meetings, or work sessions. Either co-presiding officer of the
27 advisory committee may call a public hearing, formal meeting, or

1 work session of the advisory committee at any time. The advisory
2 committee may not take formal action at a public hearing, formal
3 meeting, or work session unless a quorum of the committee is
4 present.

5 (f) Except as otherwise provided by this subsection, a
6 member of the advisory committee is not entitled to receive
7 compensation for service on the committee or reimbursement for
8 expenses incurred in the performance of official duties as a member
9 of the committee. Service on the advisory committee by a member of
10 the senate or house of representatives is considered legislative
11 service for which the member is entitled to reimbursement and other
12 benefits in the same manner and to the same extent as for other
13 legislative service.

14 (g) As needed, the ~~[The]~~ advisory committee shall submit
15 comments and recommendations to the board regarding the use of
16 money in:

17 (1) the state water implementation fund for Texas
18 established under Subchapter G ~~[fund]~~ for use by the board in
19 adopting rules under Section [15.439](#) and in adopting policies and
20 procedures under Section [15.441](#);

21 (2) the Texas water fund established under Subchapter
22 H-1 for use by the board in adopting rules under Section [15.507](#);

23 (3) the flood infrastructure fund established under
24 Subchapter I for use by the board in adopting rules under Section
25 [15.537](#); and

26 (4) the Texas infrastructure resiliency fund
27 established under Section [16.452](#) for use by the board in adopting

1 rules under Section 16.460. [~~The submission must include:~~
2 ~~(1) comments and recommendations on rulemaking~~
3 ~~related to the prioritization of projects in regional water plans~~
4 ~~and the state water plan in accordance with Section 15.437;~~
5 ~~(2) comments and recommendations on rulemaking~~
6 ~~related to establishing standards for determining whether projects~~
7 ~~meet the criteria provided by Section 15.434(b);~~
8 ~~(3) an evaluation of the available programs for~~
9 ~~providing financing for projects included in the state water plan~~
10 ~~and guidelines for implementing those programs, including~~
11 ~~guidelines for providing financing for projects included in the~~
12 ~~state water plan that are authorized under Subchapter Q or R of this~~
13 ~~chapter, Subchapter E or F, Chapter 16, or Subchapter J, Chapter 17;~~
14 ~~(4) an evaluation of the lending practices of the~~
15 ~~board and guidelines for lending standards;~~
16 ~~(5) an evaluation of the use of funds by the board to~~
17 ~~provide support for financial assistance for water projects,~~
18 ~~including support for the purposes described by Section 15.435(c);~~
19 ~~(6) an evaluation of whether premium financing~~
20 ~~programs should be established within the funds described by~~
21 ~~Section 15.435 to serve the purposes of this subchapter, especially~~
22 ~~in connection with projects described by Section 15.434(b);~~
23 ~~(7) an evaluation of methods for encouraging~~
24 ~~participation in the procurement process by companies domiciled in~~
25 ~~this state or that employ a significant number of residents of this~~
26 ~~state; and~~
27 ~~(8) an evaluation of the overall operation, function,~~

1 ~~and structure of the fund.]~~

2 (h) The advisory committee shall review the overall
3 operation, function, and structure of each fund listed in
4 Subsection (g) [the fund] at least semiannually [~~and may provide~~
5 ~~comments and recommendations to the board on any matter~~].

6 (i) The advisory committee may:

7 (1) provide comments and recommendations to the board
8 on any matter;

9 (2) review the overall operation, function, and
10 structure of any fund established under this chapter or Chapter 16
11 that is not listed in Subsection (g); and

12 (3) adopt rules, procedures, and policies as needed to
13 administer this section and implement its responsibilities.

14 (j) Chapter 2110, Government Code, does not apply to the
15 size, composition, or duration of the advisory committee.

16 (k) The advisory committee is not subject to Chapter 325,
17 Government Code (Texas Sunset Act). [~~Unless continued in existence~~
18 ~~as provided by that chapter, the advisory committee is abolished~~
19 ~~and this section expires September 1, 2035.~~]

20 (l) As needed, the [~~The~~] advisory committee shall make
21 recommendations to the board regarding information to be posted on
22 the board's Internet website relating to the funds listed in
23 Subsection (g) [under Section 15.440(b)].

24 (m) The advisory committee shall evaluate and may provide
25 comments or recommendations on the feasibility of the state owning,
26 constructing, and operating water supply projects, including
27 reservoirs and major water supply conveyance infrastructure,

1 through existing financial assistance programs under Subchapter E
2 of this chapter, Subchapter E or F, Chapter 16, or other mechanisms.

3 (n) The executive administrator shall provide an annual
4 report to the advisory committee on:

5 (1) the board's progress towards expanding state and
6 regional water supply portfolios, including:

7 (A) the annual financial commitments by program
8 for water supply projects and management strategies;

9 (B) the net amount of water projected to be
10 developed, conserved, or reclaimed through those annual
11 commitments;

12 (C) the amount of water developed, conserved, or
13 reclaimed through the completion of state-funded water supply
14 projects or management strategies during the prior fiscal year; and

15 (D) state and regional achievement towards
16 completing water supply projects and management strategies that
17 address water shortages during a drought of record as described
18 within the most recent state and regional water plans;

19 (2) the board's progress towards providing financial
20 assistance for drinking water and clean water utilities that are
21 eligible for state financial assistance, and:

22 (A) endure a significant number of boil water
23 notices;

24 (B) have water losses that meet or exceed the
25 threshold established by rule under Section 16.0121; or

26 (C) have significant health, safety, or
27 environmental protection violations according to commission data;

1 (3) the estimated aggregate value of the savings
2 provided to customers through the board's financial assistance
3 programs;

4 (4) [~~(1)~~] the board's compliance with statewide annual
5 goals relating to historically underutilized businesses; [~~and~~]

6 (5) [~~(2)~~] the participation level of historically
7 underutilized businesses in projects that receive funding related
8 to a bond enhancement agreement under Subchapter G [~~this~~
9 subchapter];

10 (6) the activities, findings, and recommendations of
11 the Office of Water Supply Conveyance Coordination established
12 under Subchapter H, Chapter 6.

13 (o) If the aggregate level of participation by historically
14 underutilized businesses in projects that receive funding related
15 to a bond enhancement agreement under Subchapter G [~~this~~
16 ~~subchapter~~] does not meet statewide annual goals adopted under
17 Chapter 2161, Government Code, the advisory committee shall make
18 recommendations to the board to improve the participation level.

19 (p) Notwithstanding the requirements of Sec. 551.008,
20 Government Code, the advisory committee shall have a right of
21 access to all records that relate to the administration of the funds
22 described in this section that are maintained by any entity under
23 contract with the board.

24 SECTION 2.3. The following provisions of the Water Code are
25 repealed:

26 (1) Section 15.506;

27 (2) Section 15.540;

1 (3) Section 16.451(1); and

2 (4) Section 16.456.

3 ARTICLE 3. PERFORMANCE AND ACCOUNTABILITY

4 SECTION 3.1. Subchapter D, Chapter 6, Water Code, is
5 amended by adding Section 6.118 to read as follows:

6 Sec. 6.118. ANNUAL REPORT. (a) In this section, "Texas
7 water fund" means the fund established under Section 49-d-16,
8 Article III, Texas Constitution, as proposed by S.J.R. 75, 88th
9 Legislature, Regular Session, 2023.

10 (b) Not later than December 31 of each even-numbered year,
11 the board shall submit to the legislature a report that describes:

12 (1) the allocation of money from the Texas water fund
13 to other eligible board-administered funds;

14 (2) water supply projects within the state water plan
15 that have received funding commitments in the preceding biennium;

16 (3) the provision of financial assistance in the
17 preceding biennium from the Texas water fund to water and
18 wastewater systems that:

19 (i) endure significant boil water notices;

20 (ii) have water losses that meet or exceed
21 the threshold established by rule under Section 16.0121; or

22 (iii) have significant health, safety, or
23 environmental protection violations according to commission data;

24 (4) the state's progress towards closing anticipated
25 water infrastructure funding gaps;

26 (5) the state's progress towards closing potential
27 water supply deficits during a repeat of a drought of record;

1 (6) the state's progress towards fixing aging or
2 deteriorating water and wastewater systems; and

3 (7) the positive economic impact attributable to each
4 project receiving financial assistance from the Texas water fund.

5 ARTICLE 4. EFFECTIVE DATES

6 SECTION 4.1. This Act takes effect January 1, 2026, but only
7 if the constitutional amendment proposed by the 89th Legislature,
8 Regular Session, 2025, providing for the dedication of certain
9 sales and use tax revenue and insurance premium tax revenue to the
10 Texas water fund is approved by the voters. If that constitutional
11 amendment is not approved by the voters, this Act has no effect.